

Islamic Arab Insurance Co.
(Salama) and its subsidiaries
Condensed consolidated interim financial
statements
for the six-month period ended 30 June 2011

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim financial statements

for the six-month period ended 30 June 2011

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Independent auditors' report on review of condensed consolidated interim financial information

To the Shareholders

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Islamic Arab Insurance Co. (Salama) ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 30 June 2011, the condensed consolidated interim statement of comprehensive income (comprising a condensed consolidated interim statement of comprehensive income and a separate condensed consolidated interim statement of income), condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the six-month period then ended (the "condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2011 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG

Vijendranath Malhotra

Registration No: 48 B

14 AUG 2011

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim statement of income

for the six-month period ended 30 June 2011

	Six-month period ended 30 June 2011 AED'000 (Un-audited)	Six-month period ended 30 June 2010 AED'000 (Un-audited)	Three-month period ended 30 June 2011 AED'000 (Un-audited)	Three-month period ended 30 June 2010 AED'000 (Un-audited)
UNDERWRITING RESULTS				
Underwriting income				
Gross written contributions	1,525,429	1,066,641	790,214	540,291
Less: reinsurance and retakaful contributions ceded	(154,561)	(165,088)	(72,238)	(75,953)
Net contributions	1,370,868	901,553	717,976	464,338
Net movement in unearned contributions	(173,073)	(138,098)	(89,870)	(65,592)
Contributions earned	1,197,795	763,455	628,106	398,746
Commission received on ceded reinsurance and retakaful	23,768	19,123	11,867	10,478
	1,221,563	782,578	639,973	409,224
Underwriting expenses				
Gross claims paid	501,255	437,957	262,973	211,932
Less: reinsurance and retakaful share of claims paid	(75,089)	(67,176)	(31,704)	(40,467)
Net claims paid	426,166	370,781	231,269	171,465
Net movement in outstanding claims and technical reserve family takaful	349,177	61,696	208,590	35,943
Claims incurred	775,343	432,477	439,859	207,408
Commission paid and other costs	310,096	262,953	136,746	130,610
	1,085,439	695,430	576,605	338,018
Net underwriting income	136,124	87,148	63,368	71,206
Income				
Income from investments	17,519	16,283	13,596	4,410
Other income	12,723	18,524	2,656	11,470
	166,366	121,955	79,620	87,086
Expenses				
General, administrative and other expenses	(86,511)	(64,841)	(39,467)	(35,555)
Financial expenses	(9,430)	(12,027)	(4,626)	(5,399)
Provision for charitable donations	(1,951)	(2,253)	(1,367)	(1,388)
Net profit before tax for the period	68,474	42,834	34,160	44,744
Taxation - current	(6,228)	(6,527)	(2,639)	(2,991)
Net profit after tax for the period before policyholders' distribution	62,246	36,307	31,521	41,753
Policyholders' surplus	-	2,126	-	-
Net profit after tax and distribution to policyholders' for the period	62,246	38,433	31,521	41,753
Earnings per share (AED) (Note 13)	0.050	0.030	0.025	0.035
Attributable to:				
Shareholders	59,526	35,897	29,818	41,928
Non-controlling interest	2,720	2,536	1,703	(175)
	62,246	38,433	31,521	41,753

The notes on pages 8 to 17 form an integral part of these condensed consolidated interim financial statements.

The independent auditors' report on review of condensed consolidated interim financial information is set out on page 1.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim statement of comprehensive income

for the six-month period ended 30 June 2011

	Six-month period ended 30 June 2011 AED'000 (Un-audited)	Six-month period ended 30 June 2010 AED'000 (Un-audited)	Three-month period ended 30 June 2011 AED'000 (Un-audited)	Three-month period ended 30 June 2010 AED'000 (Un-audited)
Net profit after tax and distribution to policyholders' for the period	62,246	38,433	31,521	41,753
Other comprehensive income net of income tax				
Net change in fair value of available-for-sale investments	(741)	(239)	27	(603)
Foreign exchange translation reserve	1,260	(5,690)	(123)	(4,355)
Adjustment on reclassification of available-for-sale investment into associate	-	3,278	-	-
Other comprehensive income for the period	519	(2,651)	(96)	(4,958)
Total comprehensive income for the period	62,765	35,782	31,425	36,795
Attributable to:				
Shareholders	62,318	35,603	30,173	38,734
Non-controlling interest	447	179	1,252	(1,939)
	62,765	35,782	31,425	36,795

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Islamic Arab Insurance Co. (Salama) and its subsidiaries

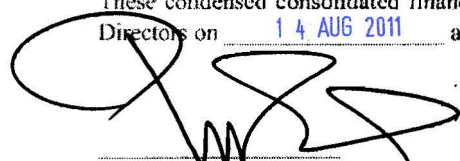
Condensed consolidated interim statement of financial position

as at 30 June 2011

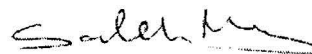
	Note	30 June 2011 AED'000 (Unaudited)	31 December 2010 AED'000 (Audited)
ASSETS			
Property and equipments		82,511	71,816
Intangible assets		5,295	5,204
Goodwill		186,194	186,194
Investment properties	8	279,387	83,129
Investments in associates	9	59,032	57,331
Statutory deposits		59,198	60,286
Investments	10	1,596,564	1,388,916
Deposits with takaful and retakaful companies		388,488	323,517
Contributions and takaful balance receivables		964,502	825,863
Retakafuls' share of outstanding claims		261,549	217,759
Retakafuls' share of unearned contributions		74,484	52,143
Amounts due from related parties	11	12,826	12,280
Other assets and receivables		106,468	192,347
Cash and bank balances		270,711	209,210
TOTAL ASSETS		4,347,209	3,685,995
LIABILITIES EXCLUDING POLICYHOLDERS' FUND			
Bank finance		196,377	213,682
Outstanding claims and family takaful reserve		1,514,382	1,120,171
Unearned contributions reserve		695,310	499,879
Takaful balances payable		122,505	122,352
Other payables and accruals		182,853	158,071
Amounts due to related parties	11	1,077	311
TOTAL LIABILITIES EXCLUDING POLICYHOLDERS' FUND		2,712,504	2,114,466
Policyholders' fund	12	-	-
NET ASSETS EMPLOYED		1,634,705	1,571,529
FINANCED BY:			
Shareholders' equity		1,587,622	1,525,304
Non-controlling interest		47,083	46,225
		1,634,705	1,571,529

The notes on pages 8 to 17 form an integral part of these condensed consolidated interim financial statements.

These condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 14 AUG 2011 and signed on their behalf by:



Sheikh Khaled Bin Zayed Al Nahayan
Chairman



Dr. Saleh J. Malaikah
Vice Chairman & CEO

The independent auditors' report on review of condensed consolidated interim financial information is set out on page 1.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim statement of cash flows

for the six-month period ended 30 June 2011

	Six-month period ended 30 June 2011 AED'000 (Un-audited)	Six-month period ended 30 June 2010 AED'000 (Un-audited)
Cash flows from operating activities		
Net profit before non-controlling interest	62,246	38,433
<i>Adjustment for:</i>		
Net movement in unearned contributions reserve	173,073	138,098
Share of profit from associates	1,701	-
<i>Operating profit before changes in working capital</i>	<u>237,020</u>	<u>176,531</u>
Change in deposits with takaful and retakaful companies	(64,971)	(11,124)
Change in contributions and takaful balance receivable	(138,639)	(131,363)
Change in due from / to related parties	(546)	(1,599)
Change in other assets and receivables	85,879	(4,727)
Change in outstanding claims (net of retakaful)	350,421	49,032
Change in takaful payables and other payables	24,934	79,129
Change in policyholders' fund	-	132
<i>Net cash flows from operating activities</i>	<u>494,098</u>	<u>156,011</u>
Cash flows from investing activities		
Property and equipment-net	(8,525)	6
Net movement in intangible assets	(91)	180
Investment properties – net	(196,258)	-
Net movement in associates	(3,402)	(24,112)
Statutory deposits	1,088	(2,076)
Investments-net	(207,008)	(1,236)
<i>Net cash flows used in investing activities</i>	<u>(414,196)</u>	<u>(27,238)</u>
Cash flows from financing activities		
Bank finance-net	(17,305)	(100,078)
Net movement in non-controlling interest	(1,862)	(20)
<i>Net cash flows used in financing activities</i>	<u>(19,167)</u>	<u>(100,098)</u>
Net increase in cash and cash equivalents	61,501	28,675
Cash and cash equivalents at 1 January	209,210	197,728
Cash and cash equivalents at 30 June	<u>270,711</u>	<u>226,403</u>

The notes on pages 8 to 17 form an integral part of these condensed consolidated interim financial statements.

The independent auditors' report on review of condensed consolidated interim financial information is set out on page 1.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim statement of changes in equity (Un- audited)

for the six-month period ended 30 June 2011

Attributable to the equity holders of the Company

	Share capital AED'000	Statutory reserve AED'000	Revaluation AED'000	Foreign exchange translation reserve AED'000	Investment fair value reserve AED'000	Treasury stock AED'000	Retained earnings AED'000	Total AED'000	Non- controlling interest AED'000	Total equity AED'000
Balance at 1 January 2010	1,100,000	59,032	15,440	(5,009)	(5,994)	(35,972)	337,814	1,465,311	42,728	1,508,039
Total comprehensive loss for the period										
Profit for the period	-	-	-	-	-	-	35,897	35,897	2,536	38,433
Other comprehensive income										
Share in foreign exchange translation reserve	-	-	-	(3,328)	-	-	-	(3,328)	(2,362)	(5,690)
Share in net change in fair value of available-for-sale investments	-	-	-	-	(244)	-	-	(244)	5	(239)
Adjustment on reclassification of available-for- sale investment into associate	-	-	-	-	-	-	3,278	3,278	-	3,278
Total other comprehensive income	-	-	-	(3,328)	(244)	-	3,278	(294)	(2,357)	(2,651)
Total comprehensive income for the period	-	-	-	(3,328)	(244)	-	39,175	35,603	179	35,782
Transactions with owners, recorded directly in equity										
Increase in cash through contribution	-	-	-	-	-	-	-	-	2,337	2,337
Balance at 30 June 2010	1,100,000	59,032	15,440	(8,337)	(6,238)	(35,972)	376,989	1,500,914	45,244	1,546,158

The notes on pages 8 to 17 form an integral part of these condensed consolidated interim financial statements.

The independent auditors' report on review of condensed consolidated interim financial information is set out on page 1.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim statement of changes in equity (Un- audited) (continued)

for the six-month period ended 30 June 2011

	Attributable to the equity holders of the Company							Non-controlling interest	Total equity
	Share capital	Statutory reserve	Revaluation reserve	Foreign exchange translation reserve	Investment fair value reserve	Treasury stock	Retained earnings		
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Balance at 1 January 2011	1,100,000	64,016	14,689	(5,541)	2,099	(35,972)	386,013	1,525,304	1,571,529
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	-	59,526	59,526	62,246
Other comprehensive income									
Share in foreign exchange translation reserve	-	-	-	2,170	-	-	-	2,170	1,260
Share in net change in fair value of available-for-sale investments	-	-	-	-	622	-	-	622	(741)
Total other comprehensive	-	-	-	2,170	622	-	-	2,792	519
Total comprehensive income for the period	-	-	-	2,170	622	-	59,526	62,318	62,765
Transaction with owners, recorded directly in equity									
Dividend	-	-	-	-	-	-	-	-	411
Issuance of Bonus share (Note 16)	110,000	-	-	-	-	-	(110,000)	-	-
Balance at 30 June 2011	1,210,000	64,016	14,689	(3,371)	2,721	(35,972)	335,539	1,587,622	1,634,705

The notes on pages 8 to 17 form an integral part of these condensed consolidated interim financial statements.

The independent auditors' report on review of condensed consolidated interim financial information is set out on page 1.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes

(forming part of the condensed consolidated interim financial statements)

1 Legal status and activities

Islamic Arab Insurance Co. (Salama) ("the Company") is a public shareholding company, registered in the Emirate of Dubai, United Arab Emirates (UAE) and operates through various branches in the UAE. The registered office of the Company is P.O Box 10214, Dubai, United Arab Emirates. The principal activity of the Company is the writing of all classes of general takaful and family takaful business (started 2006), in accordance with Islamic Shari'a principles and in accordance with the relevant Articles of the Company and the UAE Federal Law No. 8 of 1984 (as amended) concerning commercial companies and U.A.E. Federal Law No. 6 of 2007, concerning regulations of insurance operations.

The Company and its subsidiaries are referred to as "the Group". Tariic Holding BSC (Tariic) is an intermediate holding company in Bahrain and no commercial activities are carried out in the Kingdom of Bahrain. The Group has the following principal subsidiaries which are engaged in insurance and reinsurance under Islamic Sharia'a principles:

Subsidiaries	Group's Ownership		Country of incorporation
	30-Jun 2011	31-Dec 2010	
<i>Through Tariic</i>			
Best Re	100%	100%	Tunisia
Salama Senegal	55.17%	55.17%	Senegal
Salama Assurances Algerie	96.98%	96.98%	Algeria
Egyptian Saudi Insurance Home	51.15%	51.15%	Egypt
Best Re Holding Company	100%	100%	Malaysia
<i>Directly owned</i>			
Tariic Holding Company	99.40%	99.40%	Kingdom of Bahrain

During 2010, Best Re Holding Company was incorporated with the paid-up capital of US\$ 150 million (AED 551 million), the objective for which the Company was established was to transfer the operations of Best Re to Best Re Holding Company, as a part of reorganisation of overall Group structure, without any extinguishment of existing liabilities and commitments relating to the existing contracts.

2 Basis of preparation

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with the International Financial Reporting Standard ("IFRS"), IAS 34 *Interim Financial Reporting*. They do not include all of the information required for the full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2010.

b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for the following:

- i) financial instruments at fair value through profit and loss are measured at fair value,
- ii) available-for-sale financial assets are measured at fair value,
- iii) investment properties are measured at fair value, and
- iv) land and buildings are measured at revalued amounts.

c) Functional and reporting currency

These condensed consolidated interim financial statements are presented in UAE Dirham (AED). Except as otherwise indicated, financial information presented in UAE Dirham has been rounded to the nearest thousand.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

3 Significant accounting policies

Except as explained below, the accounting policies and methods of computation applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its audited consolidated financial statements as at and for the year ended 31 December 2010.

The Group has adopted IAS 24 'Related Party Disclosures' (Revised) which became applicable for annual periods beginning on or after 1 January 2011, in the preparation of these condensed consolidated interim financial statements. IAS 24 amends the definition of a related party and modifies certain related party disclosure requirements for government related entities. The revised requirements under IAS 24 affect the presentation and disclosure of these condensed consolidated interim financial statements and do not have any effect on the reported amounts in the condensed consolidated interim statement of financial position and condensed consolidated interim statement of comprehensive income.

The Groups' financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2010.

4 Estimates

The preparation of the condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were significantly same as those that applied to the audited consolidated financial statements as at and for the year ended 31 December 2010.

5 Interim measurement

The nature of the Group's business is such that income and expense are incurred in a manner, which is not materially impacted by any form of seasonality. These condensed consolidated interim financial statements were prepared based upon an accrual concept, which requires income and expense to be recorded as earned or incurred and not as received or paid throughout the year. However, the interim results may not represent a proportionate share of the annual profits due to variability in contributions and investment income and uncertainty of claims occurrences.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

6 Allocation of the net profit (Un-audited)

	For the period ended 30 June 2011				For the period ended 30 June 2010			
	Shareholders	Policyholders	Non-controlling interest	Total	Shareholders	Policyholders	Non-controlling interest	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Net underwriting income								
Total net underwriting income	-	136,124	-	136,124	-	87,148	-	87,148
Total net underwriting income	-	136,124	-	136,124	-	87,148	-	87,148
Wakalah share	35,076	(35,076)	-	-	25,848	(25,848)	-	-
Mudarib share	53	(53)	-	-	132	(132)	-	-
Net technical charges from/to shareholders to policyholders'	(1,067)	1,067	-	-	-	-	-	-
Net underwriting income from subsidiaries	94,325	(94,325)	-	-	79,433	(79,433)	-	-
Income/(loss) from investment	25,353	(7,834)	-	17,519	15,403	880	-	16,283
Other income	12,674	49	-	12,723	17,756	768	-	18,524
	166,414	(48)	-	166,366	138,572	(16,617)	-	121,955
Expenses								
General, administrative and other expenses	(86,511)	-	-	(86,511)	(64,841)	-	-	(64,841)
Finance expenses	(9,430)	-	-	(9,430)	(12,027)	-	-	(12,027)
Provision for charitable donations	(1,951)	-	-	(1,951)	(2,253)	-	-	(2,253)
Net profit/(loss) before tax for the period	68,522	(48)	-	68,474	59,451	(16,617)	-	42,834
Tax – current	(6,228)	-	-	(6,228)	(6,527)	-	-	(6,527)
Net profit/(loss) before tax the period	62,294	(48)	-	62,246	52,924	(16,617)	-	36,307
Share of non-controlling interest	(2,720)	-	2,720	-	(2,536)	-	2,536	-
Surplus distribution for family takaful policyholders	-	-	-	-	-	2,126	-	2,126
Policyholders' loss financed by shareholders (Note 12)	(48)	48	-	-	(14,491)	14,491	-	-
Net profit for the period	59,526	-	2,720	62,246	35,897	-	2,536	38,433

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

7 Wakalah and Mudarib Share

The shareholders manage the takaful operations of the Group for the policyholders and charge 15% (2010: 15%) of gross written contributions of non family takaful business (excluding subsidiaries) as wakalah share. For family takaful business, sharing ratio is 15% (2010:15%) of mortality costs.

The shareholders of the Group also manage the policyholders' investment funds other than family takaful and charge 15% (2010: 15%) of investment income earned by the policyholders as Mudarib share.

8 Investment properties

The geographic dispersion of investment properties is as follows:

	30 June 2011 AED'000 (Un-audited)	31 December 2010 AED'000 (Audited)
Within UAE	13,025	13,025
GCC Countries	266,362	70,104
	<u>279,387</u>	<u>83,129</u>

Based on management's internal assessment, the carrying value of the investment properties reflects the market conditions as at 30 June 2011.

During the period, the Group has acquired a property amounting to AED 196 million in Kingdom of Saudi Arabia ("KSA"). The acquisition of property was held through a Salama lead consortium whereby Salama and Best Re Holdings limited (100 % subsidiary) will be sharing risk and rewards associated with the property (Salama 68.96% and Best Re Holdings Limited 31.04%).The property is owned by the consortium through a nominee agreement for and on behalf of the Group.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

9 Investment in associates

The principal associates of the Group, all of which have 31 December as their year end are as follows:

Associates	Ownership		Country of incorporation	30 June 2011	31 December 2010
	2011	2010		AED'000 (Un-audited)	AED'000 (Audited)
GEPAR	20.00%	20.00%	Tunisia	308	308
Saudi IAIC Cooperative Insurance Co. (Saudi IAIC)	30.00%	30.00%	KSA	29,848	28,590
Best Invest	36.11%	36.11%	Tunisia	1,012	1,012
Islamic Insurance Jordan	20.00%	20.00%	Jordan	27,864	27,421
				<u>59,032</u>	<u>57,331</u>
Movements during the period/year				30 June 2011	31 December 2010
				AED'000	AED'000
				(Un-audited)	(Audited)
Balance at beginning of period/year				57,331	27,981
Purchases				-	3,043
Share of profit/(loss) in associates				1,701	2,014
Reclassification				-	24,364
Change in reserve				-	(71)
Balance at 30 June / 31 December				<u>59,032</u>	<u>57,331</u>

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

10 Investments

	30 June 2011 (Un-audited)			31 December 2010 (Audited)		
	Domestic investments AED'000	International investments AED'000	Total investments AED'000	Domestic investments AED'000	International investments AED'000	Total investments AED'000
Financial asset at fair value through						
Mutual fund and externally managed portfolios	-	397,145	397,145	-	174,506	174,506
Shares and securities	3,839	19,325	23,164	4,658	18,511	23,169
	3,839	416,470	420,309	4,658	193,017	197,675
Available-for-sale investments						
Mutual fund and externally managed portfolios	-	270,591	270,591	-	252,601	252,601
Shares and securities	3,662	96	3,758	4,705	945	5,650
	3,662	270,687	274,349	4,705	253,546	258,251
Islamic placements *	-	603,128	603,128	-	685,956	685,956
Held to maturity						
SUKUK and Government bonds	-	298,778	298,778	-	247,034	247,034
Total investments	7,501	1,589,063	1,596,564	9,363	1,379,553	1,388,916

*Represent Sharia'h compliant placements with different financial institutions having profit rates of 0.22% to 4.75% (2010: 0.50% to 5.50%) and maturing in more than 3 months when acquired.

- 10.1** Externally managed portfolios include various international funds and funds of funds with no fixed maturities and coupon rates. The portfolio is segregated into liquid and growth portfolios with a view to enhancing returns on liquid funds and profitability respectively. The fair values of these investments are based on the net asset values provided by the fund managers.
- 10.2** Held-to-maturity investments are the investments that management has intention and ability to hold till maturity. The profit rates vary on these investments having maturity from nine months up to eighteen months.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

11 Related party transactions

The Group, in the normal course of business, collects contributions, settles claims and enters into other transactions with other businesses that fall within the definition of related parties contained in the IAS 24 Related Party Disclosures (Revised). The management believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties. The following are the details of significant transactions with related parties.

	Six-month period ended 30 June 2011 AED'000 (Un-audited)	Six-month period ended 30 June 2010 AED'000 (Un-audited)
General and administrative expenses	1,057	816
Retakaful on contributions	2,279	1,515
Retakaful on claims	66	470
Transactions and receivables related to Bin Zayed Group are in respect of management of the Group's investment portfolio.		

Compensation of key management personnel

Short term benefits	6,552	4,810
Employees end of service benefits	1,015	742
	<u>7,567</u>	<u>5,552</u>

Amounts due from related parties

	30 June 2011 AED'000 (Un-audited)	31 December 2010 AED'000 (Audited)
Bin Zayed Group	11,128	11,128
IAIC Bahrain	129	130
Saudi IAIC Cooperative Insurance Co.	-	120
Other entities under common management with the Group	1,569	902
	<u>12,826</u>	<u>12,280</u>

Amounts due to related parties

IAIC Bahrain-current account	-	-
Other entities under common management with the Group	1,077	311
	<u>1,077</u>	<u>311</u>

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

12 Policyholders' fund

	30 June 2011 AED'000 (Un-audited)	31 December 2010 AED'000 (Audited)
Balance at 1 January	(1,017)	2,126
Net (deficit)/surplus attributable to policyholders for the period/year (note 6)	(48)	17,356
Proposed surplus distribution to policyholders of family takaful	-	(20,499)
	<u>(1,065)</u>	<u>(1,017)</u>
Financed by shareholders'	<u>1,065</u>	<u>1,017</u>
	<u>-</u>	<u>-</u>

The shareholders of the Company financed the policyholders' deficit in accordance with the takaful contracts between the Company and its Policyholders.

13 Earnings per share

The calculation of earnings per share for the period ended 30 June 2011 is based on the profit attributable to shareholders of AED 59.53 million (30 June 2010: AED 35.90 million) divided by the weighted average number of shares of 1,188 million (30 June 2010: 1,188 million) outstanding during the period. There is no dilutive effect on basic earnings per share.

14 Contingent liabilities and capital commitments

	30 June 2011 AED'000 (Un-audited)	31 December 2010 AED'000 (Audited)
Letters of guarantee	<u>10,831</u>	<u>11,470</u>

Statutory deposits of AED 4.5 million (31 December 2010: AED 6.96 million) are held as lien by the bank against the above guarantees.

The Group, in common with other insurance companies, is involved as a defendant in a number of legal cases in respect of its underwriting activities. A provision is made in respect of each individual case where it is probable that the outcome would result in a loss to the Group in terms of an outflow of economic resources and a reliable estimate of the amount of outflow can be made.

There are no significant capital commitments at 30 June 2011 (31 December 2010: nil).

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

15 Operating segment

By business

(for the six-month period ended 30 June 2011)

	Non -motor AED'000	Motor AED'000	Health AED'000	Family takaful AED'000	Total AED'000
Gross written contributions	741,424	385,741	31,489	366,775	1,525,429
Net contributions earned	553,056	307,845	13,765	323,129	1,197,795
Commissions received on ceded reinsurance and retakaful	22,965	62	544	197	23,768
	576,021	307,907	14,309	323,326	1,221,563
Net claims incurred	(291,174)	(194,074)	(6,956)	(283,139)	(775,343)
Commissions paid and other costs	(195,835)	(94,941)	(3,386)	(15,934)	(310,096)
Net underwriting income	89,012	18,892	3,967	24,253	136,124
Investment and other income					30,242
Unallocated expenses and tax					(104,120)
Net profit after tax					62,246

(for the six-month period ended 30 June 2010)

	Non -motor AED'000	Motor AED'000	Health AED'000	Family takaful AED'000	Total AED'000
Gross written contributions	736,848	157,070	24,808	147,915	1,066,641
Net contributions earned	523,110	132,061	8,532	99,752	763,455
Commissions received on ceded reinsurance and retakaful	18,169	400	340	214	19,123
	541,279	132,461	8,872	99,966	782,578
Net claims incurred	(252,415)	(93,037)	(6,299)	(80,726)	(432,477)
Commissions paid and other costs	(221,123)	(20,705)	(3,566)	(17,559)	(262,953)
Net underwriting income	67,741	18,719	(993)	1,681	87,148
Investment and other income					34,807
Unallocated expenses and tax					(85,648)
Net profit after tax					36,307

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

15 Operating segment (continued)

By Geography

(for the six-month period ended 30 June 2011)

	Africa	Far East	Middle East	Turkey and Central Asia	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Gross written contributions	197,250	759,186	504,345	64,648	1,525,429
Net contributions earned	147,853	580,921	419,188	49,833	1,197,795
Commissions received on ceded reinsurance and retakaful	6,246	12,353	5,169	-	23,768
	154,099	593,274	424,357	49,833	1,221,563
Net claims incurred	(78,340)	(328,440)	(345,227)	(23,336)	(775,343)
Commissions paid and other cost	(34,111)	(228,842)	(29,946)	(17,197)	(310,096)
Net underwriting income	41,648	35,992	49,184	9,300	136,124
Investment and other income					30,242
Unallocated expenses and tax					(104,120)
Net profit after tax					62,246

By Geography

(for the six-month period ended 30 June 2010)

	Africa	Far East	Middle East	Turkey and Central Asia	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Gross written contributions	205,245	537,256	263,275	60,865	1,066,641
Net contributions earned	164,914	362,785	188,793	46,963	763,455
Commissions received on ceded reinsurance and retakaful	5,146	10,290	3,687	-	19,123
	170,060	373,075	192,480	46,963	782,578
Net claims incurred	(82,040)	(175,670)	(144,717)	(30,050)	(432,477)
Commissions paid and other cost	(44,248)	(158,515)	(42,758)	(17,432)	(262,953)
Net underwriting income	43,772	38,890	5,005	(519)	87,148
Investment and other income					34,807
Unallocated expenses and Tax					(85,648)
Net profit after tax					36,307

16 Bonus share

The Board of Directors issued 10% bonus shares amounting to AED 110 million. The resolution was approved by the shareholders in the Annual General Meeting held on 28 April 2011.

17 Comparative figures

Certain comparative figures have been reclassified, where necessary, to conform with the presentation adopted in these condensed consolidated interim financial statements.